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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Second performance report

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the second report of the Secretary-General on the programme budget performance of the United Nations for the biennium 1996-1997 (A/C.5/52/32 and Corr.1). The Advisory Committee notes that, as in the past, the scope of the report is financial only and will be supplemented by a report on programme implementation, which will be submitted later for consideration by the Committee for Programme and Coordination and the General Assembly. The Advisory Committee points out that the goal of performance reporting should be to relate financial data to programme performance and it is the view of the Advisory Committee that additional efforts should be made by the Secretariat to consider, in the long term, combining the two sides of budget performance into a single performance report.

2. The Advisory Committee notes from paragraph 3 of the Secretary-General's report that the anticipated final level of expenditure and of income for the biennium represents a net decrease of $25.1 million compared with the revised appropriations and estimates of income approved by the General Assembly in its resolution 51/222 of 18 December 1996. The projected expenditure for the biennium 1996-1997 is estimated at $2,549.4 million gross, which reflects a decrease of $53.8 million. The projected income is estimated at $419.0 million, which also reflects a decrease of $28.7 million compared with the revised income estimates of $447.7 million for the biennium 1996-1997.

3. As can be seen from paragraph 4 of the report, the net reduced requirement of $25.1 million reflects a combined effect of: (a) projected additional requirements in the amount of $31.6 million owing to changes in inflation assumptions ($1.6 million), commitments entered into under the provision of resolution 50/217 of 23 December 1995 on unforeseen and extraordinary expenses

($4.3 million) and commitments authorized by the General Assembly ($25.7 million); and (b) a decrease in income ($28.7 million), offset by an anticipated reduction of $85.4 million owing to: changes in exchange-rate assumptions ($49.3 million); variations in post and common staff costs ($30.6 million); and adjustments to objects of expenditures other than posts ($5.5 million).

4. The performance estimates include, as indicated in paragraph 5 of the report, additional requirements of $10.4 million for the Integrated Management Information System (IMIS) detailed in the ninth progress report of the Secretary-General on IMIS (A/52/711). These requirements are reflected under the column "Other changes", schedule 3, section 30, "Technological innovations", of the performance report. The Advisory Committee intends to examine during its session in February and March 1998 the requirements for the project outlined in the ninth report of the Secretary-General on IMIS. In the meantime, however, the Advisory Committee recommends that the additional provision of $10.4 million for IMIS be deleted from the programme budget for the biennium 1996-1997.

5. The Advisory Committee notes from paragraph 8 of the Secretary-General's report that "greater implementation flexibility was provided to offices in the early part of 1997 through the allotment process to facilitate the role of programme managers in optimizing the utilization of resources". The Advisory Committee was informed, upon inquiry, that programme managers had been given more possibilities of redeploying resources allotted to their programmes, with the exception of staff costs, honoraria and hospitality. The Advisory Committee welcomes this development.

6. The Secretary-General points out in paragraph 7 of his report that budget implementation during the current biennium was notably more challenging than in previous bienniums "owing to the dynamic efforts required to manage the sharply reduced level of resources within a short budget cycle and within a budgetary structure with limited flexibility or requiring longer lead times to address the necessary savings other than through significant reductions in staff costs". In this regard, the Advisory Committee recalls that target vacancy rates for Professional and General Service and related categories of staff were 10.4 and 7.5 per cent respectively.

7. However, the Advisory Committee notes from paragraph 26 of the report that, based on 22 months' data, the average actual vacancy rate for these categories of staff are estimated at 12.8 and 7.6 per cent, respectively. Moreover, as can be seen from schedule 9 of the performance report, vacancy rates in some budget sections have been developing in the course of the biennium to a dramatically high level, for example, under budget section 21, "Human rights", from 4.0 and 8.5 per cent in the Professional and General Service categories, respectively, at 31 January 1996 to 49.0 and 18.6 per cent, respectively, at 31 October 1997; under budget section 11, "United Nations Environment Programme", from 17.4 per cent in the Professional category and no vacancies in the General Service category at 31 January 1996 to 39.1 and 5 per cent, respectively, at 31 October 1997. The Advisory Committee was informed, upon inquiry, that no deliberate attempt had been made by the Secretariat to increase the vacancy level over and above the target rates of 10.4 and 7.5 per cent for Professional and General Service staff, respectively.

8. The additional requirements of $1.6 million relating to changes in inflation assumptions and a decrease of $49.3 million resulting from exchange-rate fluctuations are explained in paragraphs 12 to 17 and the details regarding the assumed and actual rates of exchange are contained in schedules 4 and 5 of the report of the Secretary-General; the Advisory Committee notes from table 1 of the report that the main factors that contributed to the decrease for exchange rates are primarily the depreciation of the Swiss franc ($32.2 million) and the Austrian schilling ($6.0 million) against the United States dollar.

9. The total additional requirements of $30.0 million relating to commitments entered into by the Secretary-General under the provisions of General Assembly resolution 50/217 on unforeseen and extraordinary expenses ($4.3 million), commitments authorized by the General Assembly for the United Nations Mission for the Verification of Human Rights and of Compliance with the Commitments of the Comprehensive Agreement on Human Rights in Guatemala ($21.0 million) and the United Nations International Civilian Mission in Haiti ($2.6 million) and to staff assessment ($2.1 million) are discussed in paragraphs 18 to 23 of the report. These additional requirements, as indicated in paragraph 23, have been met within the current level of appropriations, in view of the continuing favourable exchange rate performance of the United States dollar against other currencies. In this connection, the Advisory Committee recalls its observation in paragraph 36 of its report (A/51/7/Add.1) that "even though it may be possible to absorb at least part of the cost of these new mandates because of movements in exchange rates and inflation, the Advisory Committee believes that it is important to remember that General Assembly resolution 41/213 has been reaffirmed (see, for example, General Assembly resolutions 50/230, 50/231 and 50/232) and continues to apply until the Assembly specifically changes it".

10. As indicated in paragraph 2 of the report of the Secretary-General, the anticipated final level of expenditure and of income for the biennium is based on actual expenditures for the first 18 months, projected requirements for the last 6 months and changes in inflation and exchange rates and cost-of-living adjustments as compared with the assumptions made in the first performance report. It is the view of the Advisory Committee that, considering the Organization's investments in technology, the Secretariat should attempt to base performance reporting on actual expenditures for the first 21 months, rather than 18 months of the biennium, as is currently the case.

11. The Advisory Committee points out that the estimated expenditures for the biennium 1996-1997 include unliquidated obligations. The Advisory Committee requests that future performance reports indicate the amount of unliquidated obligations included in estimated expenditures for the biennium.

12. The decrease of $28.7 million projected under the income sections is discussed in paragraphs 32 to 35 of the Secretary-General's report. In connection with the information reflected in paragraph 34 of the report, the Advisory Committee was informed, upon inquiry, that the decrease in rental of premises under income section 2 had resulted in part from the move by the United Nations Children's Fund at the end of 1995 to properties owned by the Geneva authorities and that the relocation of the United Nations Volunteers to Bonn in 1995 was due to the fact that those relocations could not have been foreseen at the time of the budget preparation for the biennium 1996-1997.

13. In the light of its observations and recommendations, the Advisory Committee recommends a reduction of $10.4 million in respect of IMIS under the expenditure sections of the programme budget for the biennium 1996-1997.